

SECOND SET OF INFORMATION REQUESTS
OF THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
TO
BOSTON GAS COMPANY

D.T.E. 05-66

Respondent: Joseph F. Bodanza

Information Request DTE 2-1

Q. Refer to Page 3 of 3 of the Company's Compliance Filing, and to Tables 1 and 2 below to answer the following questions:

Table 1: Compliance DTE 05-66 Supporting Schedule
Exogenous Cost

	Monthly Write Offs	CGA- Related Bad Debt	CGA Revised Bad Debt =(A)*(B)	Actual Bad Debt Recovered Per Reconciliation	Variance (C)-(D)
	(A)	(B)	(C)	(D)	(E)
Jan-04	\$1,482,149	64.4%	\$954,504	\$1,143,086	(\$188,582)
Feb-04	\$779,788	62.2%	\$485,028	\$733,756	(\$248,728)
Mar-04	\$829,506	62.0%	\$514,294	\$119,916	\$394,378
Apr-04	\$986,393	61.4%	\$605,645	\$119,916	\$485,729
May-04	\$1,258,249	63.7%	\$801,505	\$119,916	\$681,589
Jun-04	\$2,131,319	65.4%	\$1,393,883	\$119,916	\$1,273,967
Jul-04	\$2,852,973	66.0%	\$1,882,962	\$119,916	\$1,763,046
Aug-04	\$3,116,192	65.5%	\$2,041,106	\$119,916	\$1,921,190
Sep-04	\$1,984,926	65.0%	\$1,290,202	\$119,916	\$1,170,286
Oct-04	\$1,988,650	66.4%	\$1,320,464	\$119,916	\$1,200,548
Nov-04	\$2,320,882	65.1%	\$1,510,894	\$770,000	\$740,894
Dec-04	\$1,853,842	64.1%	\$1,188,313	\$1,001,000	\$187,313
Total	\$21,584,869		\$13,988,799	\$4,607,170	\$9,381,629

Table 2: Gas Cost Related Gross Writeoffs

	Total	Gas Cost	Base Rates	Gas Cost Percentage
	(A)	(B)	(C)	(D)
Jan-04	\$1,339,363	\$862,433	\$476,930	64.4%
Feb-04	\$823,582	\$512,525	\$311,057	62.2%
Mar-04	\$912,984	\$566,483	\$346,501	62.0%
Apr-04	\$996,581	\$612,177	\$384,404	61.4%
May-04	\$1,488,319	\$947,851	\$540,468	63.7%
Jun-04	\$2,348,360	\$1,535,515	\$812,845	65.4%
Jul-04	\$3,019,865	\$1,992,228	\$1,027,637	66.0%
Aug-04	\$3,231,192	\$2,117,171	\$1,114,021	65.5%
Sep-04	\$2,373,095	\$1,542,968	\$830,127	65.0%
Oct-04	\$2,518,411	\$1,671,411	\$847,000	66.4%
Nov-04	\$2,929,992	\$1,905,974	\$1,024,018	65.1%
Dec-04	\$2,735,901	\$1,753,760	\$982,141	64.1%
Total	\$24,717,645	\$16,020,496	\$8,697,149	

- (a) Explain the difference between the figures shown in Table 1, Column A and Table 2, Column A;
- (b) Explain the reason for the substantial variation in the monthly write-off figures shown in Table 1, Column A.

A.

- (a) The figures listed in **Table 2, Column A** are the **gross** “charge-offs” (or gross writeoffs of amounts billed to customers) recorded in the CRIS system.

Per the Department’s directives in D.T.E. 03-40, the Company developed a program to disaggregate gross monthly “charge-offs” into two categories: (1) charged off amounts previously billed to customers as base distribution charges; and (2) charged off amounts previously billed to customers as gas costs. Because amounts billed to customers each month are billed either as base-distribution charges or gas-cost charges, the CRIS system can directly match gross charge-offs to the category of charges (i.e. base or gas cost) previously billed to the customer. This provides a sound basis for the Company to calculate the percentage of total charge-offs in

each month that are gas-cost related in accordance with the Department's directive in D.T.E. 03-40.¹

The figures in **Table 1, Column A** are **net** writeoffs recorded to the General Ledger. Net writeoffs recorded for each month in the General Ledger are gross charge-offs, less recoveries and (plus or minus) adjustments caused by customer stop payments and returned checks. Another factor accounting for the difference is timing. The CRIS system is designed to update customer billing and payment information on a continual basis. Because the CRIS totals and General Ledger totals are each calculated at different points in time, and the CRIS data is continually updated, these totals will always vary to some extent.

The Company uses the amounts recorded in the General Ledger to calculate gas-cost related bad-debt writeoffs because these amounts include the recoveries and other adjustments made to derive the actual net writeoffs experienced by the Company. This calculation is not performed within the CRIS system.

Therefore, consistent with the Department's directives, the Company uses the CRIS totals to determine the ratio of gas-related charge-offs to total charge-offs and then applies that ratio to the actual net writeoffs recorded in the General Ledger for each month. The "match" between billed amounts and gross charge-offs generated by CRIS creates a very precise point to determine the ratio of gas-cost related writeoffs to total writeoffs. By applying this ratio to the net writeoffs recorded in the General Ledger on a monthly basis, the Company is able to accurately determine gas-cost related writeoffs for purposes of CGA and exogenous cost recovery.

- (b) The variation in the figures listed in the Table 1, Column A (Net Monthly Writeoffs) is a function of two primary factors. First, over the course of a calendar-year cycle, the Company will experience a substantial amount of variation in the number of accounts written off in any given month. For example, writeoffs occur 90 days following the termination of an account. Generally, the Company does not shut customers off during the peak winter months (November through March). As a result, the Company tends to experience a much higher level of writeoffs through the latter part of the year. A second significant factor in the variation is the cost of gas. As the cost of gas rises, the level of outstanding accounts receivable owed to the Company by customers increases significantly and, in turn, the level of bad-debt writeoffs increase in parallel.

¹ In D.T.E. 03-40 at 267, the Department stated that "in future GAF filings, the Company shall allocate a portion of the bad-debt expense approved in this case for collection through the GAF, based on the ratio of the actual level of customer account writeoffs tracked for gas supply during the previous year to the total level of writeoffs during the same time period."

